

INTERNATIONAL NEGOTIATION

HEARINGS

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY
AND INTERNATIONAL OPERATIONS

OF THE

COMMITTEE ON
GOVERNMENT OPERATIONS

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WITH

DIRK U. STIKKER

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INTERNATIONAL NEGOTIATION

FRIDAY, FEBRUARY 26, 1971

U.S. SENATE,
SUBCOMMITTEE ON NATIONAL SECURITY
AND INTERNATIONAL OPERATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

[This hearing was held in executive session and subsequently ordered made public by the chairman of the subcommittee.]

The subcommittee met at 10:30 a.m., pursuant to notice, in room 3112, New Senate Office Building, Senator Henry M. Jackson (chairman of the subcommittee) presiding.

Present: Senators Jackson, Chiles, Mathias, and Roth.

Also present: Senators Stennis and Stevens.

Staff members present: Dorothy Fosdick, staff director; Richard N. Perle, professional staff member; Philip Farmer, research assistant; and Judith J. Spahr, chief clerk.

Others present: Samuel Goldberg, staff of Senator Mathias; and Edward A. Barber, staff of Senator Roth.

OPENING STATEMENT OF THE CHAIRMAN

Senator JACKSON. The subcommittee will come to order.

In the last Congress, the subcommittee initiated the first major congressional inquiry on the process and problems of international negotiation. The focus of our inquiry is on lessons to be learned from past and present experience in the conduct of negotiations. We are seeking to get the central issues relating to international negotiation out in the open, to encourage, to the extent feasible, sounder attitudes and approaches.

In view of the importance of the matter, one might expect to find substantial analytical materials, but the fact is that little up-to-date and systematic work has been done, and the subcommittee is ploughing new ground.

In our inquiry, emphasis is being placed on the importance of understanding the other side. "It is better to know your adversary than ignore him."

The hearings, studies, and other papers generated in this study are proving much in demand from people in key government positions, in the universities and in journalism.

We are delighted to have as our witness today one of the great statesmen of the Atlantic Community, Dr. Dirk Stikker. He will

speak to us this morning from his exceptional experience in international negotiations.

During World War II, when he was Managing Director of Heineken's, he became active in thwarting the Nazi occupation machinery. He also became a founder and President of the Netherlands Foundation of Labor and organizer and chairman of the Party of Freedom, and in 1946 was a delegate to the Round Table Conference on the political status of the Netherlands West Indies. He has since served as Netherlands Minister for Foreign Affairs, Chairman of OEEC, Ambassador to Great Britain and to Iceland, Chairman of the Netherlands Delegation to the Economic and Social Council of the United Nations and Secretary General of NATO from 1961-1964. He is the author of *Men of Responsibility* (1966). At present Dr. Stikker is advising United Nations organizations on the role of private foreign investment.

We welcome you here today, Dr. Stikker. We shall be happy to have you proceed in your own way.

STATEMENT OF DIRK U. STIKKER

Dr. STIKKER. Thank you very much, Mr. Chairman.

It is an honor to be with you today.

I hope that I will be able in a not too long opening statement to reciprocate in a certain sense what I receive so very often from your side because you have publications coming out of this committee. I have been on your mailing list and I have learned a lot from all this documentation you have provided.

Now I prefer to speak today without notes and just speak frankly and freely because I am now completely independent; I am no longer in business; I am no longer in politics. The only function in a way that I still have is that of adviser to Philippe de Seynes in the United Nations on problems of development. That is the only official function I still have.

Senator JACKSON. You would say you are actively retired?

Dr. STIKKER. I have actively retired, and my wife complains that I am still too active.

When I speak to you today, I would like to concentrate on three problems and then I am open to any questions, and I like the surprise question. I hope I will be able to give an answer to your questions.

The three problems on which I would like to make a brief statement have to do both with national security and with new forums of negotiation where discussions are now going on.

In the first place we have the negotiations which are going on at the present moment with the OPEC countries on oil.

Then I would like to pass on to you some information about a new forum of negotiations in the United Nations on development.

And as a special problem I would like to give you some information about Radio Free Europe in connection with what has taken place here in the Senate about the financing of RFE. I happen to be chairman of the European Advisory Committee of Radio Free Europe and I am interested that we continue the work for that organization which is, to my mind, doing an excellent job.

May I start with the OPEC negotiations?

NEGOTIATIONS OF THE ORGANIZATION OF PETROLEUM EXPORTING
COUNTRIES (OPEC)

For some time in my life I was with an oil company but I am not any longer, so I am speaking completely without any bias. I look mainly at these problems from the point of view of national security and of the impossibility of finding in the free world the finance for our energy demand.

The energy demand is at the present moment increasing by 8.4 percent per annum. The expectations are that in five years' time it will be 40 percent higher than it is now and that in 10 years' time it will be between 70 and 80 percent higher than it is now.

When you look at the sources from which we get our energy, you will find that 4 percent of the total sources are hydroelectric and nuclear energy; 15 percent is natural gas; 65 percent, approximately, is oil; and the remainder is coal. I give rough worldwide figures, but these figures are naturally different for each individual country.

Now, I don't believe there is a great chance, because of danger of pollution, to increase highly the nuclear energy. What is possible in the field of hydroelectric energy is unknown to me, natural gas will increase, coal is another possibility, and especially open cast coal-mining might help us to a certain extent, but basically we are dependent on oil and we all know that 65 percent of the proven oil reserves at the present moment are in the Middle East.

You can call the group of the OPEC countries the largest oil cartel of the producing countries which has ever existed. We are living at the present moment in a seller's market and OPEC is using that position to an extent that the outcome of the Teheran meeting means that Europe in the future will have to pay in the coming five years, I think, about \$10 billion more for its oil than it formerly did.

This will have repercussions in Libya, in Algeria, and in Saudi Arabia as far as Saudi Arabia pumps oil to the Mediterranean. This may lead to another increase of prices and that increase may be of the amount of about \$4 billion in the coming five years.

Then Venezuela comes in and Nigeria and they may ask, together with some other producing countries, a further increase of some \$4 billion.

The amount of increased prices by the OPEC countries may go on and it will mean that in any case by 1975 we will have to pay about \$18 billion to \$20 billion more than we are paying now. There is no possibility for the oil companies or corporations, small or large, to absorb, themselves, this increase because the take of the oil companies at the present moment is 36 cents out of a barrel and the increase in prices is bound to be at least 50 cents.

So, there is not a chance that they can cope with this problem by themselves. The price increase has to be passed on to the consumer. That means price increases everywhere. For instance, a country like India will have to pay this year about 90 pounds sterling more which will make the equilibrium of its own balance of payments an impossibility.

On top of this problem of the increased prices and the amounts which have to be made available in foreign currency to producing countries, i.e. the members of OPEC, we have the problem that for the

enormous increase in energy demands, staggering new investments will have to be made. These new investments are estimated to amount for the coming 10 years to about \$375 billion U.S. dollars; and on top of it we have to find financing for the working capital for all these new investments.

The total figures you can, for instance, find in studies made by the Chase Manhattan, could amount to about \$500 billion in the coming 10 years when the free world wants to live up to the growing demands for energy. If demands for energy cannot be met it means that our growth rate will go down and that we must slow down our economy.

It also means that all countries will have greater difficulties in financing their defense expenditures as we have to raise the enormous amount of money needed for energy mainly in foreign currency. Thus it will become increasingly difficult to find the financing which is necessary to keep our defense forces up to the standard which I consider to be necessary.

On top of it, you have the problem of developing countries in general. The money which flows to developing countries at the present moment goes at the rate of about \$12 billion to \$13 billion per annum. I cannot see how this can go on when the Western world has to find money for \$500 billion new investments in order to keep up with its rate of growth and to live up to the demands for energy. All this means that in the coming decade we would pay a sort of extra advantage to the small number of oil-producing countries to the detriment of the rest of the developing countries who receive and need aid.

I have been somewhat surprised that in press reports about what was going on in OPEC negotiations so little has been said how this might also affect the economy of the United States, itself. You read a lot about the consequences for Europe, Japan or India and other countries but very little about how it is going to affect the economy of the United States, itself.

At the present moment, the U.S. imports roughly 23 to 24 percent of its total oil demands—that means about 3.4 million barrels a day. If the increase in the energy demand goes on as it is expected at the present moment, I think that your need for imports of oil will rise to about 8 million barrels a day.

This will raise also for your balance of payments an enormous problem, as prices are bound to go up and capital for all these new investments has to be found.

Mr. Chairman, it seems to me that one aspect of this problem that must interest your committee is that negotiations have been going on up to now between the oil corporations and the producing countries. That raises the problem of international negotiations.

Naturally your Government has at all times been kept informed, so that there are no secrets about it, and I would like to leave with you some papers containing background information. There is nothing secret about these papers.

Senator JACKSON. We will file them with the committee for its use.

Dr. STICKER. This is an aspect that I am sure that your Government or your committee would like to study: what would be the best way to handle such problems in the future? Is it right that it should be the corporations who hold these negotiations or should governments be involved?

The problem is that if one consuming country is being involved, then you may have the problem that other countries would prefer to turn it over to the United Nations. Then you have to negotiate with all countries and what may happen in a forum like the United Nations is not easy to predict.

I had a discussion about this aspect some days ago with Philippe de Seynes who sometimes asks my advice or comments on problems.

The other aspect is whether there are other sources of energy to be found. I think the prices of oil are going to be raised to such an extent that it may well be possible that commercial exploitation of shale and tar sands in the U.S. will become possible. In this connection it should be mentioned that, according to latest information about research and development, considerable mining operations on the deep seabed for manganese ore, copper, nickel and oil may become possible. As the deep seabed is now no man's land, new authorities would have to be created to give the right legal status to such operations.

It may well be that in some way incentives have to be given. Without alternative sources of energy the U.S. might in the future be dependent for 40 percent of its oil demand on import which is to my mind a national security problem, and I would believe that it is for the U.S. of prime importance to remain independent.

Europe has only three or four or five months of reserve.

It became clear during the OPEC negotiations that Russia finds itself also in a situation that in the future it may need imports from OPEC countries. I think they are already flirting at the present moment with Iran; they are talking about pipelines, and they have given warning to their friends behind the Iron Curtain in the Balkans that they cannot be certain Russia will be able to give them the supply of oil in the future as they are doing at the present moment. So, Russia finds itself in some way in a similar situation.

A couple of weeks ago, I happened to meet an economist of one of the Balkan countries. Talking about the oil situation, I suggested to him, "Would it not be a good thing that your country and other countries should follow the same line and if there are demands for price increases that we should consult?" He showed great interest.

A NEW UNITED NATIONS FORUM OF NEGOTIATION ON DEVELOPMENT

Mr. Chairman, I would now like to turn for a moment to another form of negotiations which is taking place in the field of developing countries and capital flows which are needed for those countries.

It is already a couple of years ago that the United Nations Conference on Trade and Development (UNCTAD) invited me to write a report about the role of foreign private investment in development. I was rather surprised by this request because during my life I have been deeply involved in the problems of the transfer of sovereignty in Indonesia, I had been Secretary General of NATO, and had been in big business—was I therefore the best qualified man to write such a report for UNCTAD. But they insisted and I was surprised when I gave my report that it was rather favorably received just as much in developing countries as in developed countries as amongst domestic and foreign private enterprise. It sounds impossible but there was nobody who complained.

One of the suggestions I made in that report, in which I addressed myself to the four groups who are together partners in development, was that we should stop fighting and bickering and having all these bitter discussions in several organizations of the United Nations.

I suggested that we should develop a dialogue in panel meetings, as we call them now, between representatives of governments of developing countries, the major organizations of the United Nations and foreign private enterprise.

This suggestion was accepted and we had a first meeting on a world-wide basis in Amsterdam that was followed by another meeting on a regional basis in Medellin, Colombia. Since that time another meeting took place, now organized, on the basis of the old documentation which we prepared, by OAS and IADB, and a meeting took place in Rome in the last week of January on the special situation of Latin America in connection with the role of foreign private enterprise. This was organized purely by the Latin Americans and, to my surprise, there was little interest shown in the absence of Chile at that meeting.

During that meeting, one day was reserved for a separate discussion on the so-called Andean Agreement. The Andean Agreement, you know, is directed against the function of foreign private enterprise. As a matter of fact, the Andean Agreement was to a large extent influenced by one of the American professors, Professor Rosenstein-Rodan from the Massachusetts Institute of Technology. It is often surprising to me that some of your professors here in the United States are acting so much against the interests of the United States and of private enterprise.

Another professor who has written a report on these problems is Albert Hirschman of Princeton University. He published not so long ago a fairly long report entitled: *How To Divest in Latin America, and Why*. Divestment means you have to get out. Whether old or new investors receive adequate compensation is uncertain but, to my mind, the investors will not. I also saw this report by Professor Hirschman when I was visiting last year in Southeast Asia on the desks of some Government officials. This is the sort of propaganda against foreign private enterprise which I do not understand. I do not understand why this should come from a professor here in the Western world.

A man like Albert Hirschman, for instance, uses the expression that he would hope that the lost art of expropriation and nationalization can be reactivated. In the same style he talks of plunder by private enterprise. I am not giving the full context of these quotes, but I want to make these remarks because I believe that men like Rosenstein-Rodan and Albert Hirschman are doing great harm to development.

The Andean Agreement was discussed during the Rome meeting. It was defended by a representative from Peru, but met criticism from many sides.

In this new forum of negotiations it was mentioned that a study of the report on the Andean Agreement was being made and the suggestion that this study should be circulated to the participants of the conference was welcomed.

When I was last week in New York again Philippe de Seynes asked me to advise him about another meeting on a worldwide basis which

might take place in Tokyo in the course of this year and I am happy to give you some information on these developments, Mr. Chairman. This is a new forum of negotiation which might be of interest to you to follow.

RADIO FREE EUROPE

Now, as the last point of my introduction I would like to raise with you a problem of Radio Free Europe.

I would like to say this: As former Secretary General of NATO, as Chairman of the West European Advisory Committee of Radio Free Europe, and as one having long personal acquaintance with RFE's broadcasting operations in Munich, I would emphasize the following points about Radio Free Europe today.

To my mind, Radio Free Europe is serving a vital interest of the West in its relations with Communist Europe and is doing so in a highly responsible and professional way.

These facts are well-known to many influential persons in Western Europe, including the hundreds of scholars, business leaders, government officials, journalists and others who have visited the Munich center or have taken part in the meetings of the West European Advisory Committee.

These facts are also well understood by the press throughout Western Europe, as has been shown by the character of their massive coverage of Radio Free Europe's role in the recent Polish developments and their coverage of the Soviet Union's current campaign to secure the expulsion of Radio Free Europe from Munich. Recent representative articles were published in *Sueddeutsche Zeitung*, *Die Welt*, and *De Telegraaf*, and I will leave these copies here with you.

The recent statement which has been made here in the Senate has caused difficulties, not yet resolved, for Radio Free Europe's position in Western Europe. I suggest such difficulties could be largely overcome if some arrangement were to be made whereby two things were assured:

(a) support is furnished through some appropriate mechanism; and (b) the present private character and independence of Radio Free Europe are guaranteed for the future.

These are only mild suggestions I am trying to make here but if such a thing could be done it might help us a lot and it might make it possible for Radio Free Europe to continue its work. I would suggest at this moment that Radio Free Europe, which is now considered by some as more or less the same as the Voice of America, be changed in such a way that also the European Advisory group plays a role in it and that in a way we try to internationalize the character so that it is not any longer a purely American voice which is going to be heard but that everybody can understand there is also a European group which gives advice for its work.

Mr. Chairman, these were the main points I wanted to mention at the start.

Senator JACKSON. Thank you, Dr. Stikker, for a very fine statement.

I know there will be many questions. I have a number and I will then turn to my colleagues.

ROLE OF GOVERNMENTS IN OPEC-TYPE NEGOTIATIONS

What would be your recommendation as to how negotiations should be carried on in connection with the Organization of Petroleum Exporting Countries -OPEC? I am concerned about the way these negotiations have been carried on. Over the years the practice of having these negotiations undertaken by the private companies has grown up. All of a sudden, the subject matter has become a matter of great international concern: it has a profound impact on the economy of Europe and Japan. In addition, of course, with that kind of impact, the political effect is enormous.

We do have certain advisory support from our government. I understand Mr. John Irwin, the Under Secretary of State, was in Teheran in connection with these negotiations.

What would be your suggestion as to the procedure that should be followed in the future? What should be the role of the nations involved?

Dr. STUCKER. Mr. Chairman, my reply would be like this: I am not a member of the International Chamber of Commerce or any other similar organizations, as I want to be absolutely independent. Neither am I any longer advising any of the corporations. Still I have some opinions and one of these is that much more factual information about the operations of the multinational corporation should be made available and that there should be no secrecy about it.

If for instance, about cost and benefits, the truth will be on the table and everybody can see what is being done by all these corporations, e.g. in the field of transfer of technology, then the image will to my mind greatly improve.

A great deal of information is published for instance by your Department of Commerce. What your Department of Commerce is producing in this field is not the information which is needed because this is information which has to do with the balance of payments consequences. It doesn't look into the basic issues on which these corporations are working, what they are doing, why they are doing it, and how they are doing it. That is the information that is needed.

The OECD is now making another study on cost and benefits of foreign private enterprise and if we really can reach some agreement on providing all the information based on agreed definitions which is needed to understand and analyze what is going on, I think it will be of interest that this information is not only made available to the governments but that it be published widely. I am sure it will improve the picture of private enterprise because I believe it is doing much better than is thought.

They are not blunderers, and the profits they are making are rather low instead of high as it is often said. I once made a study of this problem, myself, on the figures available. The methodology, the definitions on which you have to base such studies are all wrong. This is one of the first things that I think should be improved.

On the other hand, if that information is available to governments and to those who control governments, to parliaments, to Congress, I think you are in a better position to make your views clear on what you believe should be done.

However, discussions on oil are of such a highly technical nature that it is extremely difficult for anybody who has not been for his whole life in the business. I have not been and so I give you only some figures that I know a little bit about, but I would not dare to negotiate in this field.

So, I think it is better that a group of corporations should be allowed to negotiate—as they have been allowed this time, because your Department of Justice did not interfere—in this case all the corporations together negotiating with the producing countries. I believe that in the future it would be better that the corporations continue on the proviso that their figures are known, that their governments are informed and that the legislature can check—on the basis of reliable data based in accordance with agreed methodology and definitions—on what really is going on.

THE SOVIET AND FRENCH APPROACHES TO NEGOTIATION

Senator JACKSON. In your wise and entertaining book, *Men of Responsibility*, you indicate some of the characteristics of the French diplomatic style under De Gaulle. For example, obtaining small successes by playing on the nerves of your colleagues, taking refuge in technicalities, calculating with exquisite precision the outburst of anger and the gracious gesture, alternating flattery with threats, being deliberately inscrutable, and so on.

Dr. STRIKER. It sounds well.

Senator JACKSON. I would be interested to have your comment on the characteristics of the Russian diplomatic approach as you have observed it over the years. Did the Russians learn from De Gaulle?

Dr. STRIKER. They learned a little bit from each other!

I do not believe that there is any real change in the attitude of the Russians, not a basic change. We naturally all have to go on trying to find ways to get nearer to each other, to understand each other, and to know what is going on. I see nothing against that sort of thing.

But I would be very much worried if we were to believe that détente is around the corner. It is not. It is not for a single moment around the corner.

Coming back to your reference to France let me give you one example how France sometimes frustrated better understanding of basic problems between allies. We were talking at a certain time in my period in NATO about nuclear weapons and we agreed that we all should have more information about nuclear weapons. Everybody agreed. France also agreed. But the United States insisted that there should be one man responsible for security about these matters of a nuclear character and they wanted to make the Secretary General of NATO, who is a man of all trades, responsible for security about these matters, also in France. They asked me whether I was willing to accept that function of security. I said yes; I am willing to do it but there should be an agreement signed by all the countries that they accept that the Secretary General of NATO is responsible for security in these matters of a nuclear character. He should be able, because he has no staff himself, to call on the CIA, or the Defense Territorial in

France, or MI-5 or MI-6 in London or whatever other organizations there are and these organizations should have to respond to his requests; only then has he an organization behind him to handle this security. That was accepted by all but not by France. That has been the main reason why there has been such a long delay before any information on nuclear weapons could be passed on to NATO members and that has been a disturbing factor.

These are the tricky things that sometimes happened in my period.

With respect to negotiations like those over Berlin, I must say that in NATO we received mostly, not always, information from the United States Government. There have been cases where there was not sufficient information available so that we did not know what was going on. It is a great help to other countries to understand what is going on.

Senator JACKSON. I have other questions but I will defer for now.

Senator Mathias.

RADIO FREE EUROPE SUPPORT?

Senator MATHIAS. Would State Department support of Radio Free Europe be what you speak of as "an appropriate mechanism?"

Dr. STIKKER. While I prefer to leave to the authorities here the judgment as to the appropriate mechanism to furnish support for Radio Free Europe, my main concern is that the private character and independence of RFE continue for the future.

RELATION OF LEGISLATURES TO TECHNICAL NEGOTIATIONS

Senator MATHIAS. Dr. Stikker, I am extremely interested in your comments about the technical nature of the OPEC negotiations and the fact that really only people who have spent a lifetime in a certain area become competent to deal in international negotiations in that given area.

Now, we sometimes hear pessimists say that we live in an era of the twilight of parliaments. Senator Stennis here is pulling a mighty oar against that tide but I think we who live in the legislative world have to consider the fact that a lot of observers call this the twilight of parliaments.

Are we getting into an era of such technical negotiations between nations, or between private interests in different nations, or with multinational corporations, that in fact national legislatures really have to bend to the will or bend to the decisions that are made in these forums?

Dr. STIKKER. That is partly a problem of a system of negotiations. It is partly also a problem of what we call in Europe supranationalism.

Senator MATHIAS. To the extent it is a system of negotiations, perhaps we can help to correct it.

Dr. STIKKER. The system of negotiation is part of the problem.

On the supranational aspect, I always have hoped that Europe would become a supranational federation of confederations. I have worked for it as much as I could but I am still doubtful whether we will succeed. It is still a long way off. I think you will agree there is little chance of union now.

On the other hand, on the system of negotiation, the forum of negotiation, there is a change going on because of these large multinational corporations. When you consider, for instance, at the present moment that the total investments made by the multinational corporations in the developing world are certainly of the magnitude of some \$50 billion leading to a production abroad of certainly double that amount, \$100 billion per annum, that is a thing that has to be looked at carefully just as well from the point of view of the host country as from the money-providing country.

That is again the reason that I always press for giving more information and if you get the information under sound methodology definitions you will be in a far better position to understand.

I have been a legislator, myself; I have been in the Senate in my own country; and I know you have sometimes to guess what is going on; this is the wrong system. You must have the facts and you must be absolutely certain that there is nothing wrong with these facts.

These facts, to my mind, should be far better provided than is happening at the present moment. It is something that should be insisted on because if this information will improve you can get out of the twilight and you can see clear again what is going on.

It is also the main reason why I gave you information about these meetings which are now under the aegis of the United Nations taking place between foreign private enterprise and multinational corporations with governments of developing countries. It is a new development and you should be careful it does not get out of hand and that you watch what is going on.

For that reason, I would like to give to your committee here some background documentation which perhaps should be studied more carefully so that you see the whole picture, because at the present moment it is unclear to most people, while there is something new going on.

Senator JACKSON. Senator Chiles.

WHAT IS THE PROSPECT OF STABILITY FROM OPEC NEGOTIATIONS?

Senator CHILES. In this round of OPEC negotiations that we just went through, isn't there this time just a tremendous rise of nationalism in these countries? Can we expect this to level off a little bit? Are they really just feeling their oats and is this a way of showing the power of their nationalism?

Dr. STIKKER. There is no doubt, Senator Chiles, that part of it is nationalism. There is also greediness, and when they see the chance to get the money, all right, they will take it.

I have always been worried whether or not at a certain moment such an OPEC could come into existence. I remember the time of Mossadeh—who at that time had to go to the International Court of Justice—and I happened to be Minister of Foreign Affairs in my country at the time when Mossadeh in his nightshirt came over to visit me. He was a most extraordinary fellow.

I asked him, "Why do you come here to the Netherlands? Why do you go to the International Court?"

He spoke in French but I will try to translate it in English.

"Mr. Stikker",—he spoke very softly in his nightshirt in my office—"I come here to pay my respect to the grand institution of the International Court of Justice. Naturally when I go to plead my case I say they are incompetent."

At that time I had a talk with some of the oil companies as Foreign Secretary and I asked them the question, "Do you really believe that you will always keep the system of reference prices, or posted prices, as it is called, and that you are also certain that these countries will deliver the oil which is needed?"

At that time the two companies, two of the largest companies, with whom I was discussing this problem, replied to me and said, "Well, you should not forget; always oil defends itself."

I think it was a year later that the chairman of one of the largest American companies made the statement that the producing countries—OPEC did not exist at that time—would never kill the geese which were laying them the golden eggs.

A year later the Shah of Persia published his book *Mission for My Country*, and there he used the expression, "Well, we are not going to kill any goose that is laying golden eggs, but we are going to regulate every goose's behavior in the general interest."

Now, he added those words "in the general interest", and that is the questionable problem because what is happening now is only in the direct OPEC interest to get money out of the rest of the world, not caring what is happening to other developing countries. That is something which is frightening, because now some 12 countries can really regulate foreign policies.

Senator CHILES. I guess the question I am asking is this: Is this perhaps a temporary situation because we have just now had a shift of power. Where before the major oil companies in effect dictated what the price would be—the power was there—now these countries have suddenly realized that they don't have to take that, that they in effect do hold the edge and that they can shift. Can we look forward perhaps to there being a balance of interest, a period of stability?

Dr. STIKKER. What has happened in Teheran is in a way a settlement for the coming five years with the Persian Gulf producing countries because they accepted the principle of no basic changes in five years. That gives some sort of stability for a certain period. But it has not been accepted by Algeria; it has not been accepted by Libya; and Algeria and Libya together provide about 25 percent of the oil for Europe.

Now, if these countries are going to increase prices again or nationalize, then other fighting may go on.

So, I do not believe that we are certain that this problem of uncertainty has come to an end. It will continue. This also depends on whether other sources of energy can be found.

When nuclear energy or shale oil and tar sand can be used, and there is a great quantity available, especially in the U.S. and in Canada, these conditions will change. Therefore I think it is far better to concentrate in that direction than that we hopefully believe that there will be a period of stability coming on. I do not yet believe in it.

I am sorry, but I am pessimistic on this issue of stability. We can only believe in it if, for instance, the United Nations, and especially

the other developing countries, will rise and say together, "Now, this is nonsense what is happening. Why should \$18 billion go to these few countries? *We* need the money; not *they*. *They* are rich."

RELATION OF AFFECTED GOVERNMENTS TO OPEC-TYPE NEGOTIATIONS

Senator CHILES. Should we then start the negotiations or continue the negotiations, not through oil companies—allowing the oil companies to provide all our technical knowledge and information which you said is needed—but directly involve our government in these negotiations because then we have the pressure from our government for the other things that the countries involved need from us?

Dr. STRIKKER. I am doubtful whether that would help because if you bring one country in you have to bring all of them in. That means you have to go to the United Nations. What can happen in the United Nations is completely unpredictable. You never know how it will turn out.

I fully agree that the governments should be closely informed about what is going on and should have the right to interfere and decide whether the companies will be allowed to continue their negotiations.

There is always the antitrust law that can be used to make it impossible for the present negotiations to go on. It has been allowed this time. But to place this complicated and crucial matter in the hands of the United Nations would to my mind create enormous delays.

I have been in a great many of such negotiations and when you look at the history of negotiating in the Economic and Social Council and other U.N. organizations, the results are not encouraging, certainly not when decisions have to be taken within a few hours.

Senator JACKSON. Right on this point, if you will yield. What concerns Senator Chiles in his last question concerns me too. A large international oil company while domiciled for corporate purposes, we will say, in the United States or in Great Britain, or the Netherlands—to take three major international oil companies—has a constituency that transcends the domicile. The constituency, we will say, is Western Europe. Let us take that as one example.

Isn't there an obligation on the part of a country like the United States, like Britain, or like the Netherlands, to consult and confer, shall we say, with the customers of that international oil corporation that will be affected by the agreement?

I would agree that in a sense the whole world is the consumer, but it seems to me there is a special obligation, where the bulk of the oil of that company will move, we will say, to Western Europe, to consult, confer, discuss and so on, maybe with OECD.

Dr. STRIKKER. There is no doubt that at the present moment the whole problem of energy is under discussion in OECD. The same happens in the European Common Market organization.

That is being done and naturally decisions will as far as possible be taken, and will be passed on to the oil companies. Such decisions will certainly have quite an influence on the behavior of the big multinational corporations; there is no doubt about it. Everybody fully understands that.

As far as I am aware of these facts, here in your country your government has been consulted very closely. I am also certain this happened in the United Kingdom and in my own country because we happen to have quite a share in the Royal Dutch Shell group. There is already close contact between governments and companies.

But consumer prices are bound to go up when you look at the figures. At the present moment, as mentioned already, out of the selling price of a barrel of oil, only 36 cents goes to the companies and the increase in price which is now taking place is at the present moment more than 50 cents, which goes to the producing countries.

Now, what can the corporations do? What can you do? What can government do?

The time of the gunboats is past. You can't use a gunboat any longer.

Senator CHILES. I understand that.

There were two points I was raising. One is, whether this situation was going to level down and be on the basis of what is a reasonable return. That is one thing that companies certainly should negotiate. If it isn't, and you indicated you thought perhaps it is still going to be whatever these countries think they possibly can get, regardless of return, then it seems that we in this country or Britain or the Netherlands are the major losers from a tremendous increase in price; it is going to cost the government a tremendous increase because of our energy sources and how much we use. So, rather than just depend on Gulf and other companies who still serve somewhat in a middleman capacity in that they are going to buy and sell and pass on rises to consumers and certainly try to build their profit in between, how do we get the leverage of government into these negotiations? There are the things that Libya and these countries need from us, so if they are using all of this power because they have the oil, how do we get our leverage in for concessions, given the things that they need from us, to see that they do look with reason on this?

Dr. STRIKER. You are involved, and that is the main reason why I raised the problem here.

I don't talk here on behalf of oil companies. That is far away from my mind at the present moment. I am only talking on these subjects because of national security, of the effect on prices for the consumers—all prices are bound to go up—and because of the situation of developing countries to which the money really should go instead of to these rich oil countries.

But this is a problem, to my mind, which has to be studied here in the United States and in the other countries and I am sure that it will be discussed in OECD meetings.

What you need is basic figures and facts so that you know exactly what is going on and what are the benefits and costs of the international corporations. On that issue, a study is going on at the present moment, also in the OECD, and I am sure you will receive more information in the near future.

Senator JACKSON. We would like to have it.

I might say we held a hearing yesterday on a resolution, S. Res. 45, sponsored by Senator Randolph and myself to authorize an in-depth study of the energy crisis in this country. This study of our national fuels and energy policy will inevitably involve the international prob-

lem. We hope to get that resolution acted upon shortly. This study will be comprehensive—involving all aspects of the problem, including those affecting national security. Your testimony here will be very helpful.

Senator Roth.

CONTRIBUTIONS OF U.S. AND OTHER MEMBERS TO NATO

Senator ROTH. Dr. Stikker, you were kind enough when you started out to say that we could question you perhaps on other areas of your experience.

I wonder if you would care to comment on the effectiveness of NATO today, particularly in light of the future possibility that there is in this country—at least in some people's judgment—of a new isolationism developing, at least a desire for us to cut back our contribution.

Also what impact do you think the discussions that West Germany is having with Eastern Europe might have?

Dr. STIKKER. Your first question relates to the contributions which have to be made by the different members of NATO?

Senator ROTH. Yes.

Dr. STIKKER. In my time as Secretary General of NATO, I always tried to get the European countries to increase their contribution. I thought it was essential that they should do so. I had to do it earlier when I was still Minister of Foreign Affairs. We had a Cabinet crisis in Holland at a certain moment. The Queen asked me to form a new Cabinet. I knew I never was going to make it to become Prime Minister. So, I thought that I was given an opportunity to write the most unpopular program that could be written, because when you are certain that you are not going to make it, then you can be as unpopular as you want.

Senator JACKSON. That is good political strategy.

Dr. STIKKER. I wrote a program which at that time finally was adopted by Parliament after they turned me down but the new Prime Minister who came in was able to push it through.

At that time, we were in great difficulties both in the economic field and about our insufficient contributions for defense. In my original program we increased the defense budget by 50 percent and we decreased investment and wages—wages, mind you. And we did it. Now, that is a stunt which sometimes may happen but you can't find such a situation very often.

Some time ago, we had a meeting of ATA [Atlantic Treaty Association]. One of the countries said, "We are a democracy and in a democracy you can't raise any larger expenditure for defense". This is a completely wrong concept.

For my part I have always insisted that Europe should increase its contribution. But that became rather difficult because in my time the demands made by McNamara were too high and they could not be accepted. He asked a 25 percent increase by all European countries. For some countries, that was an utter impossibility. You can't apply such a general rule. You have to look at all the internal difficulties and you have to study carefully what is going on in each country.

Still I believe the European countries should do more. The burden-sharing is not sufficient, I fully agree, and I have made those statements on many occasions in NATO and when I was speaking in other countries.

On the other hand, I am very worried about this tendency to isolationism. You mentioned the word; I didn't. I never mention it. I always try to avoid this word because it is extremely dangerous. When this word is being used in your country, how much are our countries going to believe in and accept the credibility of cooperation with the United States? So I try to avoid that word as much as I can.

But I believe we should have a better system of burden-sharing. There has been a slight increase, I think, in the last period but I have not followed closely any longer what is happening in NATO. I am out of it now.

Senator ROTH. Could I interrupt for one minute and ask you what you think will happen if we should withdraw those forces, for whatever reason, or cut back on our contribution, what do you think would happen to NATO?

There are those who say perhaps the European members would then be forced to contribute more. Others say if America didn't think there was a threat, then why should the Europeans be concerned.

What is your feeling?

Dr. STIKKER. There may be even some who would say it is better to turn neutral now. If the U.S. is turning isolationist, others will say, "What is our position now; we can't defend ourselves."

The question you asked, was what would be the reaction of European countries if the U.S. would turn isolationist. Would it be that some would do more or would it be that some would even go in another direction?

I fear that some of the countries in Europe might say, "All right, now we still have a chance to perhaps make a deal with the other side and we can stay out of any involvement; if the United States is going to be isolationist, why should we not become neutral?"

That is something that is frightening me more than anything else because we have to stand together, we have to find a way for a better sharing of the burden, I fully agree, and I always make propaganda for it, but I am terribly worried about any reduction in force, unless it is done on the basis of full agreement and there is also some reciprocity on the other side of the curtain, as far as the curtain is still a word we should use at the present moment.

EAST-WEST NEGOTIATIONS

Dr. STIKKER. Then you asked me another question about Berlin, because I think that is the problem that is mainly in your mind when you spoke about the discussions Western Germany is now having.

I have known Brandt for many years. I have not known him as well as I knew Adenauer. Sometimes in the later years, I was more impressed by the attitude of Brandt than of Adenauer. Adenauer was very much in his later years under the influence of De Gaulle. He followed more or less what De Gaulle wanted him to do.

Brandt was in a difficult position when he came in office—I am talking freely—his image in the country was not yet such that he could

feel certain that he had sufficient people behind him, and because of his weak position in Parliament and the Liberals which were split, Willy Brandt at that time may have wanted to build up his image as soon as possible that he was a man who was doing something new and who had new ideas. Now sometimes I have the feeling that he went too far and too fast. That has created certain problems also for the United States.

I am not fully aware of the positions which have been taken in this field by France and the United Kingdom, whether they supported him more in his actions than the United States because I have no direct information any longer, but I see a lot of people and I try to listen carefully. But I am not certain that the agreements with Poland, with Russia, which have been signed now and which have to be ratified, are really going to be ratified, because also in his party now there is a little bit of fear that he has gone a little bit too far. So, they may well try to get more out of Russia and out of the DDR on Berlin than the DDR is willing to give. I know that there are people in this country who sometimes say, "Well, should it now be Willy Brandt who is to negotiate the peace of a war we have won?"

So, he has to go a little bit more carefully than he has been going for some time.

A couple of months ago, we had a meeting of Radio Free Europe which was mainly devoted to this problem. We had representatives from 14 countries, also of one of the neutrals. The general attitude was not unfavorable but from many sides warnings were given that Russia and the DDR should make also on their side positive concessions on access to and relations with West Berlin and on balanced withdrawal of forces. We had the Labor Party and the CDU in the meeting. That again is a forum of negotiation where people meet each other and try to understand each other, which can be helpful.

Senator JACKSON. Senator STENNIS.

WHAT IS THE PROSPECT OF DÉTENTE WITH RUSSIA?

Senator STENNIS. Thank you, Mr. Chairman.

I have been enthralled, very much impressed, with your statements, and I want to thank the Chairman for inviting me here.

Just being frank about it, Mr. Chairman, I need to hear more witnesses of this caliber and of this approach and viewpoint. I want to read this record. I missed the opening part of your statement.

I want to mention one thing to the group that I said to you before the meeting started.

I was in the Netherlands in 1949; it was my first trip to Western Europe; I had just become a member of the Senate. I had been a State officer altogether before then. One of your officials said to a small group of us after the evening meal, "Frankly, I don't believe you Americans know what you are doing when you are insisting on all of us withdrawing from the Pacific under the slogan of anti-colonialism". He said, "You are going to find that, when we leave, a vacuum will be created and the Communists will move in and there won't be anyone left to try to keep them out except you", meaning the United States.

That was a new thought to me. It struck hard and stayed in my mind and I have seen it happen. The intervening years unfolded just that way.

I am impressed with what you say here. Anyone who is familiar with the power of Soviet Russia, with their nuclear weapons and ours also, should feel that at least somewhere, some time, we must find some kind of common ground among the nations that have these weapons.

Since I have been here, it has impressed me that every President starts to go into the thing but they back off and say what you have said, no détente, no light that you could see at the end of the tunnel.

Now, you, with your vast background of remarkable achievements and experience, say the same thing, no détente around the corner, as you expressed it.

Would you enlarge on that point just a little more?

I am not one that want us to rush in and imprudently agree, just for the sake of agreement. I have never been that.

You have had all this contact with the Russians during your years with NATO, and before then and after that.

Dr. STIKKER. May I try to respond in some way?

First, you made a remark about Indonesia. Indeed, I think the United States went a little bit too far at that time in insisting not that the transfer should take place but how it should take place and who will be the man to get the power in Indonesia. That was a great mistake.

I also believe that it is wrong for any country to try to decide what should be the future of a country after the power that had been in control withdraws. That is a method that should be decided by the country, itself.

I think also, for a problem like Vietnam, that when I read sometimes now in the press, in *The New York Times*, that the time has come now that we should make up our mind what should be the future government of Vietnam, you would make a mistake if you decide such a thing, you will be back in trouble just as you are in trouble there now, because from the moment you make a decision who should be in control, then you get some sort of responsibility to protect that man who comes into power.

I believed in the need for the transfer of sovereignty by the Netherlands because it was a crazy position that a country with 10 million people could control, at the other end of the world, a nation of 120 million people. It does not work any longer and it should come to an end. I was most unpopular when I did it. In any case, I felt it had to be done but that the transfer should be done to another group, and your government insisted too much on Sukarno.

I do not believe that in Indonesia the generals who finally revolted against Sukarno, without any interference from the Netherlands because we were already out a long time, would have been ready to do so if your forces had not been in Vietnam.

Senator JACKSON. Are you saying that Sukarno would not have been overthrown and the generals would not have taken the action they did if our forces—

Dr. STIKKER.—had been already withdrawn from Vietnam.

That is what I wrote at that time to President Johnson when he made up his mind that he would not run again and that he would get out. Now, I don't want to say anything more about Vietnam. I could say a lot because I have just been in Vietnam and I have been in Cambodia and Laos but that is not a problem for this meeting.

You asked me further about a détente.

I still believe that when you negotiate with the Russians they try to make a certain point. They try to achieve a certain thing. When they have made that point, they forget about all of it and they continue and want to make other points. That means that the feeling that we have to cooperate does not basically exist yet on their side. Whether it will ever come about, I have my doubts.

To people who talk about détente, I also quote a Japanese expression and that expression is "Same bed but different dreams", because when you go to bed with somebody who has completely different dreams, you may never know what may happen.

That is the same problem with Russia in relation to the rest of the world. They have completely different conceptions. They have not given up their Communist desire to control the world and as long as that has not been changed, and there is no proof it has been changed, I do not believe that détente is around the corner.

Is that clear?

Senator STENNIS. Yes, sir; that makes it very clear.

Just let me say this about isolationism, and I don't speak for anyone except myself. I don't think that there is any rush into isolationism in America now. That is my opinion. I think there is a solid realization that we cannot go that way.

But there is also a realization that we should have learned a few things since the end of World War II and we should have learned some of the practical realities of overt intervention and so forth, like going into Vietnam alone as an illustration of that, as I see it; and that we are going to be more restrained and more cautious and more practical in the application of our internationalist policy, but certainly not rushing back to isolationism. That is my view.

I suppose I was a kind of middle-of-the-roader back 25 years ago and perhaps I am now. But I just give that opinion for what it may be worth, as the way I see it.

I am very strongly in favor of the United Nations and I have made speeches in my State for it, but I think we overload it and expect too much of it; too fast, too much.

Thank you, Mr. Chairman, again. I want to read everything that has been said.

Senator JACKSON. Senator Stevens.

U.S. POLICIES IN VIETNAM

Senator STEVENS. What are your views on our policies in South Vietnam now?

Senator JACKSON. You have just come back, we understand; you have been out there recently?

Dr. STIKKER. Yes. I was there last year, the beginning of last year. I have been several months in Southeast Asia. I have been invited to write a report by the Asian Development Bank about the economic future of eight countries in Southeast Asia and amongst them were

South Vietnam, Laos, and Cambodia. So, I visited the Philippines, Thailand, Laos, and Cambodia. I have been in Malaysia; I have been in South Vietnam; I have been in Singapore, and I have been in Indonesia.

If you are interested in receiving a copy of the report which is not published, I will be quite happy to give it to you.

Senator JACKSON. We will file it with the committee if you can leave it.

Dr. STIKKER. It might be of some interest. It is again about the role of private investment.

Senator JACKSON. Could you summarize generally whether you are optimistic or not about some kind of resolution of the problem in Vietnam?

Dr. STIKKER. I only wanted to give an introduction so that the Senator knows what I have been doing there.

One of the first things I found in Vietnam was that the year before I came the number of refugees had gone down from a million and a half to 300,000. Now, these things do not happen unless there is a certain reason. So, I started to investigate what can be the reason. Where have these people gone? A million five hundred thousand out of 17 million people is quite a lot.

As far as I was able to find an answer to this question, it was due to the fact that South Vietnam had created what they called a popular police force where the people have their weapons at home, also in the small villages, and are therefore able to defend themselves when they are attacked by the Viet Cong. There are 500,000 people in that force. This has given more security in those places.

In order to try to check up whether this information was correct, I got in touch with several of the business people. I talked with Esso; I talked with Shell; I talked with the people connected with pharmaceuticals, and I talked with people connected with dairy products because those are the products which give an indication whether you have your distribution system again under control in a large part of the country. They had built up their distribution system again to about 80 percent of the country which was far more than they had been able to do some years ago.

I talked a lot with the younger generation because I always look at the younger people. You must have it from the younger people, and when I talked to these people and I asked them what do you believe about Vietnamization, they said, "We should not only talk about Vietnamization of the war; we should talk about Vietnamization of our policy and the economy because that is what the younger people are interested in. The war we believe we can bring to an end. We are rather confident."

When I asked General Abrams about the quality of the people who are fighting in that area, he replied that they were good fighters. I asked him, "What about the technical capacity of the people? Do they fly their own planes? Are they able to keep up the maintenance of the jets they are flying?"

His answer was, "Yes."

I talked a lot with President Thieu and I asked him mainly two questions. I asked him, "Why are you attacking at the present moment

the United States Government?"—something had been going on—
"Why are you doing it; this does not make sense to me."

Don't forget that a man—who wants to get out of a war—and I dare to say this because I have been in that similar position that your President has now, as I have been deeply involved in the Indonesia war and have been co-responsible for the killing of numerous Indonesians—is in an extremely difficult situation and has nothing but enemies, whether they are doves or hawks or whether they are inside your country or outside—you have nothing but enemies.

I said to President Thieu, "Why on earth are you attacking and making life more difficult for the President of the United States?"

Then I asked him, because at that time the announcement had already been made about the continuing withdrawal of forces: "Do you believe that you are able to cope with the situation when these forces are being withdrawn under that time table which has now been indicated by the U.S.?"

President Thieu felt he was.

Now, I have no proof of these facts but this information which, to my mind, is good information, has never come out in your press. There is other progress: the Land to the Tiller Act has been approved in the country and there is to my mind no peaceful solution for a country like South Vietnam or for Indonesia unless you have the farmers with you.

It is easy to control the big cities; that is not a problem; but you must be able to have the farmers of their own free will with you so that the village, the open areas, are behind you. Since this Land to the Tiller Act has been adopted, there have been statements by the Viet Cong that every man who accepts land on the basis on which it is now accepted and adopted and is being applied by the Vietnamese Government, that any man who accepts that land will be killed.

That means to say the Viet Cong is frightened at the present moment that this new agricultural act may have an impact on the attitude of the people on whom the future peace in that area depends. It is the farmer, not in the city.

I saw some development in industrial areas. They have created some industrial sites already and so I was fairly well impressed.

What I cannot understand is why these things which are good are never out in the press.

Senator STEVENS. I was over at NATO at the conference last fall. I was surprised how many members there from the other nations did not know about the people's self defense force and the fact that we have armed them with automatic rifles. As a matter of fact, it shocked some of the European delegates to the NATO Parliamentary Conference because they did not feel that we should turn automatic weapons over without any restraint. I think it is probably the most stabilizing influence in South Vietnam.

Dr. STIKKER. And the most courageous.

EUROPE'S INDIFFERENCE TO SOVIET PENETRATION OF MIDDLE EAST

Senator STEVENS. Following the NATO conference this fall, we went to Italy and we were briefed on the build-up of the Soviet mili-

tary forces in the Mediterranean and their presence in Egypt and their investments in the other Arab countries.

Could you comment on what seems to me to be the astonishing European indifference to the Soviet penetration of the Middle East that has occurred in recent years?

Dr. STIKKER. Naturally the countries like Greece, Turkey, and Italy are greatly disturbed about it. I live in Italy, myself, and I know that people are really disturbed about it. But for the others it is far away and they just don't see it.

Senator STEVENS. Beyond that there was no real concern shown by most Europeans in the NATO conference this fall. As a matter of fact, only the American delegates were interested enough to go down to Rome to be briefed on it.

Dr. STIKKER. There was nobody else?

Senator STEVENS. Nobody else.

Dr. STIKKER. I think that is a bad attitude. That is all I can say about it. It is wrong.

SIGNIFICANCE OF THE SUEZ CANAL

Senator STEVENS. What leads to this indifference in the Netherlands and France and Great Britain to the tremendous presence of Soviet Russia?

As a matter of fact, Senator Stennis, I was quite impressed with the briefing we got in Rome, and it was rather shocking.

Dr. STIKKER. It is shocking.

If the Suez Canal is going to be opened they can go into the Gulf, they can close off immediately all the oil supplies and that means that Europe can't stand on its feet; it is finished. In three months' time, the reserves in oil are exhausted.

Senator JACKSON. How do you feel about opening the Canal? Do you feel that the Canal should be reopened without a genuine settlement, not just of the Israeli border problem, but also of the problem of the Russian presence in Egypt?

Dr. STIKKER. I am worried about it. I know there are people who say, "For heaven's sake, let us open the Canal", but I am worried about it. I wouldn't want to do it.

Senator JACKSON. U.S. oil imports cannot move through there. The big tanker, as I understand it, would not be able to utilize the Canal for seven years. It would take that long to widen the Canal and deepen it for 250,000-ton tankers.

Dr. STIKKER. They can't do it. It is an enormous difference. If you have the small tankers, the prices have gone up from \$125,000 for a tanker going through the Canal and the price for such a tanker is now \$950,000 around the Cape. Just imagine the consequences. That is the price increase.

LEVERAGE IN OPEC-TYPE NEGOTIATIONS?

Senator STEVENS. Going back to the question of negotiations, have we sort of left ourselves completely vulnerable by not inventorying the resources that these OPEC countries need and are buying from us? In effect they are taking what amounts to a collective strong-arming

position on the oil resource, and not returning in kind as far as the resources they are getting from us? I am left with the impression that they are buying considerably from the countries that in effect are subject to this recent price increase; yet, there is no reciprocity in price increases of the products they are buying.

Dr. STIKKER. Are you talking about the United States attitude or the rest of the Western world?

Senator STEVENS. The total Western world, I would say.

Dr. STIKKER. In the United States there has always been to my mind, wrongly, the feeling that it will always have sufficient oil, will remain independent and will not be affected in its national security.

As far as Europe is concerned I have since Mossadegh's period always been concerned that some thing could happen as has happened now.

There have always been changes in prices, there have always been periods that we had a seller's or periods of a buyer's market. Now it has become suddenly clear, because of the enormous increase in the demand for oil, that for a long time we have to live in a seller's market.

So, the OPEC countries used this opportunity; and we should have perhaps earlier given incentives so that those reserves in tar sand and in shale and what-not could be used. I believe they can be used, there is a possibility, technically speaking, to use them and that would completely change the attitude at least in your country which is important for the rest of the world, also.

Senator STEVENS. As a result of these tremendous profits they are getting through their increases they are going to be increasing their demand for products from the Western world. Again getting back to the concept of negotiation, is there any way we can assure through the treatment that we give them in their demands, in meeting their demands for automobiles and steel and some other things that they are going to buy with these profits, that we will not go through this again, that we will not have an unreasonable price increase based solely on nationalism?

Dr. STIKKER. This price increase which has now been adopted by the corporations and the five Gulf governments includes already compensation for further inflation. On that basis, because they accept now they have to buy hardware for further development, they can pay it out of the price increase which automatically will be adjusted when further inflation takes place.

If you compare that out of the total of 100 percent of the selling price at present 11 percent only goes in taxes to the producing company and 47 in taxes to the consumer countries, so these people say, "You take out of the oil which comes from our country 47 percent, you won't give us more than 11."

So there is maybe some reason in their attitude.

Senator STEVENS. Thank you, Mr. Chairman, I have enjoyed it very much.

Senator JACKSON. Senator Roth.

Senator ROTH. That is all I have, Mr. Chairman. Thank you, Mr. Chairman.

AMERICANS AS NEGOTIATORS

Senator JACKSON. Just before we adjourn, Dr. Stikker, do you have a comment for us from your experience in negotiation over the years with U.S. administrations?

Dr. STIKKER. The one real concern I've had over many years is that on basic questions American representatives at the beginning are evasive because an administration's policy process involves so many agencies and so many people, and so many ramifications; and once the administration has made up its mind the evasiveness at the start changes into an inflexible attitude.

Senator JACKSON. Dr. Stikker, on behalf of the committee, we want to express to you our deep appreciation for your testimony, your views, your counsel and wisdom. You have had a lot of experience and you have demonstrated over the years that you have been a wise counselor.

We are very happy that while you were in the United States and New York on this trip you could come to Washington to participate in this hearing. We are most grateful.

Dr. STIKKER. Thank you very much. It was a pleasure.

(Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene at the call of the Chair.)

